

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

SB 371 – HB 1089

May 18, 2009

SUMMARY OF AMENDMENT (008001): The original bill extended the termination date of certain agency rules, which are filed with the Secretary of State, until repealed or amended by subsequent rule of the appropriate rulemaking agency or until otherwise superseded by force of law. This amendment prevents certain medical necessity rules, certain TennCare standard rules, and certain TennCare Medicaid rules from being extended for an indefinite period of time. These rules are scheduled to terminate on June 30, 2009.

FISCAL IMPACT OF ORIGINAL BILL:

MINIMAL

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$123,084,100

Increase Federal Expenditures - \$352,842,200

Assumptions applied to amendment:

- Based on information provided by the Bureau of TennCare, this amendment will allow certain TennCare rules to terminate which limit the home health and private duty nursing benefit for adults unless the rules are extended with other legislation.
- The rules redefine the home health benefit to be more consistent with the Medicare home health benefit. In addition, the rules revise the private duty nursing benefit for adults to indicate that private duty nursing services will be available when medically necessary to support the use of ventilator equipment or other life sustaining medical technology when constant nursing supervision is required.
- TennCare indicates these services were virtually unlimited in Tennessee prior to implementation of the rules. As a result, expenditures for such benefit services grew from approximately \$54,430,000 in FY03-04 to

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approximately \$243,310,000 in FY06-07. The rules were implemented in the last quarter of FY07-08 to give TennCare the authority to impose limitations that were necessary to help control these increasing costs.

- Following implementation of the rules, expenditures grew from \$243,310,000 in FY06-07 to \$285,000,000 in FY07-08.
- TennCare indicates that without the current authority established by such rules, the benefit structure will return to its previous condition providing essentially unlimited benefits with substantial increases in cost.
- According to TennCare, the Bureau's current base budget for providing such services in FY08-09 is \$197,160,000. This number reflects a budget reduction of \$87,840,000 that was implemented as the result of adopting these rules.
- TennCare projects total expenditures for unlimited benefits to be approximately \$673,086,300 in FY09-10. Therefore, the increase to total expenditures for FY09-10 is estimated to be \$475,926,300 (\$673,086,300 - \$197,160,000 = \$475,926,300).
- The state would be required to pay approximately 25.862 percent of these additional expenditures; the federal government would pay the remaining 74.138 percent.
- The increase to state expenditures for FY09-10 is estimated to be \$123,084,100 (\$475,926,300 x 25.862% = \$123,084,060).
- The increase to federal expenditures for FY09-10 is estimated to be \$352,842,200 (\$475,926,300 x 74.138% = \$352,842,240).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc